

Pension News

Number 35, Winter 2006

Special Notice

The new OMERS Act – What you should know

New structure under
the OMERS Act
See page 4.

Bill 206 (*An Act to Revise the Ontario Municipal Employees Retirement System Act*) was passed by the Ontario legislature on February 23, 2006. The Act will take effect upon proclamation, which is expected later this year. This legislation establishes a new and independent governance model for OMERS, gives employers and employees more control over the OMERS pension plan and introduces supplemental plans. The government also announced that the new governance model will be reviewed in 2012 to assess its fairness, accountability and efficiency.

"The new OMERS Act adds independent governance to the solid foundation we have built over more than 40 years," said David Kingston, OMERS Board Chair. "We're ready to work with the Sponsors Corporation in the best interests of OMERS members."

Here are the key provisions of the new Act, highlighting what doesn't change, what does and when.

OMERS pensions are strong and secure
The current OMERS pension plan continues as a defined benefit pension

plan, equally funded by employers and contributing plan members. With the new OMERS Act, current pension benefits and contribution rates do not change. The plan continues to provide guaranteed retirement income for life, including inflation protection and excellent survivor and disability benefits.

Under this legislation, no one has the authority to reduce existing pensions to retired members.

OMERS focus will not change

We continue to focus on managing investments and administering the plan. Our investment strategy, which earned a return of 16% in 2005, will not change as a result of the new Act. This is important because, over the long term, investment earnings account for approximately 70% of the funding for OMERS pensions.

Safeguards in place

Like all registered pension plans, OMERS is subject to laws that protect the rights of members and set investment limits to minimize risk to the pension fund. The new OMERS Act does not affect these provisions.

Independent governance builds on the solid foundation we have developed over more than 40 years. We're ready to work with the Sponsors Corporation in the best interests of OMERS members.

David Kingston
Chair, OMERS Board

Our pension services will not change

In 2005, OMERS met or exceeded every one of our pension industry service standards, and we work constantly to improve our performance in meeting the needs and expectations of members, employers and retirees.

Independence for OMERS means those who pay for the plan make the key plan design decisions
Essentially, the new OMERS Act changes the plan's sponsor. The Province of Ontario makes no direct contributions to the plan but, until now, made all final decisions on such things as plan design, benefit changes and appointments to the OMERS Board.

The new OMERS Act replaces the government as sponsor with the new OMERS Sponsors Corporation, whose Board of Directors will represent the current and former employees who are members of OMERS, and the municipalities and other organizations that employ them.

The Sponsors Corporation will have the final say on important issues, including plan design (the structure and type of benefits offered) and contribution rate changes. These types of decisions will require a two-thirds majority of the Sponsors Corporation. If the Sponsors Corporation cannot agree on a proposed change, the new Act establishes transitional rules for mediation and arbitration.

In addition to the Sponsors Corporation, the new OMERS Act continues the OMERS Board as the OMERS Administration Corporation, responsible for pension administration and investments. (See below.)

Equal representation for plan members and employers

Initially, both Boards will have equal numbers of member and employer representatives. In the future, the Sponsors Corporation will determine the composition of both Boards. For details, see page 4.

New OMERS Act removes caps on pension formula

The new OMERS Act removes the limits on the OMERS pension formula which used to be in the *Municipal Act, 2001*. Like other registered pension plans, any improvements in the formula continue to be subject to maximums under the *Income Tax Act*. Future changes to the pension formula will require Sponsors Corporation approval.

Funding reserve required to stabilize contribution rates

The new OMERS Act includes a new requirement that contribution rates cannot be reduced, nor plan changes made, unless the plan is in a 105% funded position (assets are at least 5% more than liabilities). This requirement does not apply to supplemental plans. Also, it does not apply to plan changes that do not increase liabilities by more than 1%, or those required for legal compliance.

Supplemental plans for police, firefighters and paramedics

Under the new OMERS Act, a new supplemental plan must be established within two years for police officers, firefighters and paramedics. Supplemental pension plans are separately funded, stand-alone registered pension plans that will offer benefits not available in the current plan.

Governance structure: Current

Provincial Cabinet
• Plan design/ benefit changes
• Contribution rates

OMERS Board
• Plan administration
• Investment of funds

Governance structure: New OMERS Act

Sponsors Corporation
• Plan design/ benefit changes
• Contribution rates

Administration Corporation
• Plan administration
• Investment of funds

The legislation also permits the Sponsors Corporation to establish supplemental plans for other OMERS members.

Only those in supplemental plans pay for them

Each supplemental plan will be funded by the contributions of the employers and employees who participate in that particular plan, as well as the investment earnings on those contributions. No assets of the current plan may be used to fund any benefits or other liabilities of a supplemental plan.

What the new OMERS Act means to you as a retired member

There is no need for you to do anything different. Your pension remains secure. Your access to OMERS pension services and information will not change. Your pension will continue to be paid each month. Our commitment is to keep you fully informed and provide all the information you need regarding your OMERS pension.

The new governance structure means that from now on, decisions about plan design, benefit and contribution rate changes will be made by a new Sponsors Corporation.

What happens next?

The new governance model will be implemented when the legislation comes into effect and the government appoints the members of both boards.

More information

Visit www.omers.com and click on Bill 206/OMERS Act (in the Quick Links section). You'll find an overview of the legislation, FAQs, a link to the complete text of the new OMERS Act, and other information.

We'll continue to post new information as it becomes available. Questions about your OMERS pension? Don't hesitate to contact OMERS Client Services.

Changing your address, banking or tax information?

To change the address, banking information, or tax information OMERS has on file for you, please fill out and return this form by fax or mail to OMERS. (OMERS address and fax number are at the bottom of page 4.)

Name: _____ Date of birth:

D	M	Y			

 OMERS reference number:

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Address: _____

E-mail address: _____ May we e-mail you OMERS plan updates? Yes ☐ No ☐

Make an "x" in the appropriate box(es), fill in the necessary information, then sign this form.

☐ **New address**

(If you receive your pension payment by direct deposit, you can also change your address by calling OMERS toll free at 1-800-387-0813 [no e-mail].)

Date new address is effective:

D	M	Y			

 New phone number:

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☐ **Banking**

**Information
change**

Name and address of new bank: _____

New transit number (or attach void cheque): _____ Account number: _____

☐ **Tax**

**deduction
change**

Please take **more** tax off my monthly OMERS pension payment: (amount) \$ _____ Please take **less** tax off my monthly OMERS pension payment: (amount) \$ _____

(We can only reduce the amount of additional tax you have previously asked us to withhold.)

Signature: _____ Date: _____

Remember to fill in your name and address at the top of this form.

New structure under the OMERS Act*

Sponsors Corporation

- Responsible for plan design, benefits and contribution rates (two-thirds majority required)
- 14 voting members, initially appointed by the Ontario government for up to 1 year
- From the first anniversary until the Sponsors Corporation passes a by-law dealing with its composition, CUPE (Ontario) representative has 3 votes; AMO's 2 representatives have 2 votes each; all other members have 1 vote each
- Two Advisory Committees appointed by the Sponsors Corporation: an 8-member committee for police/fire/paramedics and a 12-member committee for other members and employers.

Employer Representatives

- | | |
|--|---|
| • Association of Municipalities of Ontario | 2 |
| • City of Toronto | 1 |
| • School Boards (rotates between public and Catholic Boards) | 1 |
| • Ontario Association of Police Service Boards | 1 |
| • Other employers (rotates among representatives of other employers) | 2 |

Plan Member Representatives

- | | |
|---|---|
| • Canadian Union of Public Employees (Ontario) | 1 |
| • CUPE Local 79 and 416 (rotates between locals) | 1 |
| • Police Association of Ontario | 1 |
| • Ontario Professional Fire Fighters Association | 1 |
| • Ontario Secondary School Teachers' Federation | 1 |
| • Other contributing members (rotates among other unions and associations) | 1 |
| • Members receiving or entitled to a pension (rotates among organizations representing these members) | 1 |

Administration Corporation

- Responsible for investment of funds, plan administration and services to plan participants
- 14 voting members, initially appointed by the Ontario government, for up to 3 years.

Employer Representatives

- | | |
|--|---|
| • Association of Municipalities of Ontario | 2 |
| • City of Toronto | 1 |
| • School Boards (rotates between public and Catholic Boards) | 1 |
| • Ontario Association of Police Service Boards | 1 |
| • Other employers (rotates among representatives of other employers) | 2 |

Plan Member Representatives

- | | |
|---|---|
| • Canadian Union of Public Employees (Ontario) | 2 |
| • Police Association of Ontario | 1 |
| • Association of Municipal Managers, Clerks and Treasurers of Ontario | 1 |
| • Ontario Professional Fire Fighters Association | 1 |
| • Other contributing members (rotates among other unions and associations) | 1 |
| • Members receiving or entitled to a pension (rotates among organizations representing these members) | 1 |

*Transitional composition, subject to Sponsors Corporation by-laws. (Changes to Board composition can be made by Sponsors Corporation by-law and require a simple majority for changes to the Sponsors Corporation and a two-thirds majority for changes to the Administration Corporation.)



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